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# **ANNUAL REPORT 2021**

**YEAR ENDED MARCH 31, 2021**

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**ICOM INCORPORATED**

# Financial Highlights

## ICOM INCORPORATED AND SUBSIDIARIES

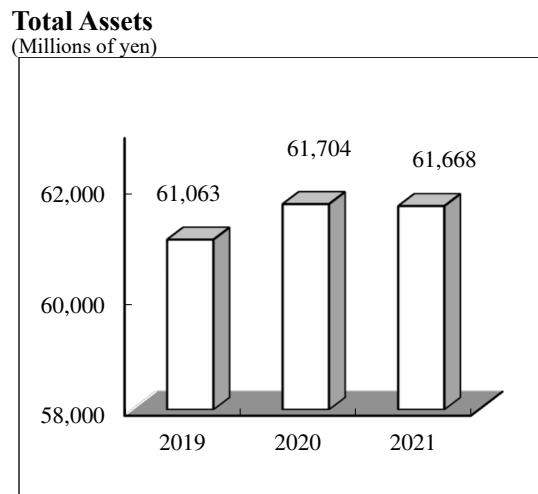
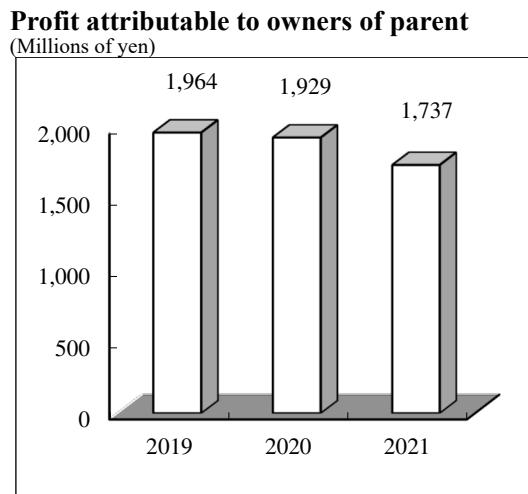
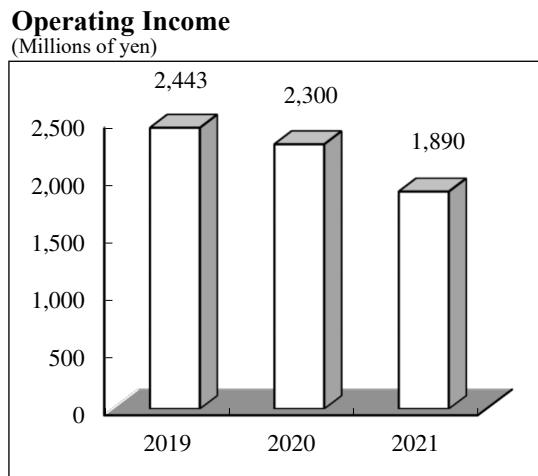
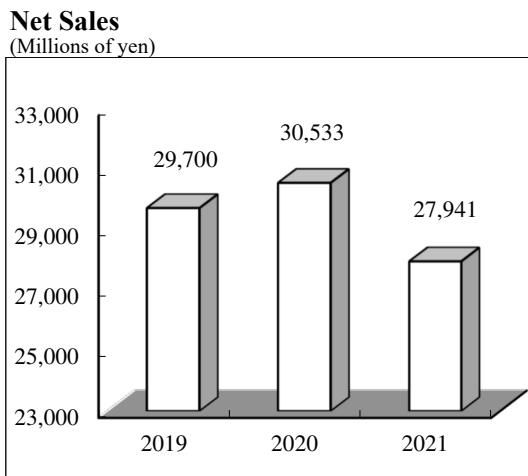
Years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Net sales	¥ 27,941	¥ 30,533	¥ 29,700	\$ 252,380
Operating income	1,890	2,300	2,443	17,072
Profit before income taxes	2,259	2,542	2,707	20,405
Profit	1,737	1,929	1,964	15,690
Profit attributable to owners of parent	1,737	1,929	1,964	15,690
Total assets	¥ 61,668	¥ 61,704	¥ 61,063	\$ 557,023
Amounts per share:		Yen		U.S. dollars
Net assets	¥ 3,937.75	¥ 3,772.56	¥ 3,732.50	\$ 35.57
Profit – basic	120.17	130.44	132.57	1.09
Cash dividends	50.00	53.00	45.00	0.45

Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥110.71 = U.S.\$1.00, the exchange rate prevailing on March 31, 2021.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.



# Operating Highlights

## GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2021 and 2020

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income (loss)		Net sales	Operating income
	2021	2020	2021	2020	2021	2021
Japan	¥ 24,584	¥ 27,060	¥ 1,648	¥ 1,968	\$ 222,058	\$ 14,886
North America	8,087	8,276	93	(2)	73,046	839
Europe	1,820	1,299	167	75	16,439	1,509
Asia & Oceania	1,202	1,411	55	74	10,858	498
Eliminations	(7,752)	(7,513)	(73)	185	(70,021)	(660)
Consolidated total	¥ 27,941	¥ 30,533	¥ 1,890	¥ 2,300	\$ 252,380	\$ 17,072

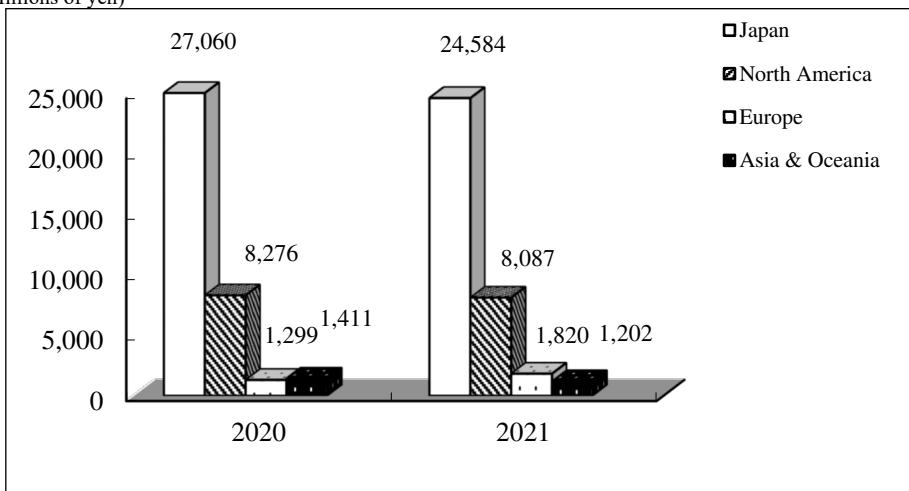
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥10.71 = U.S.\$1.00, the exchange rate prevailing on March 31, 2021.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

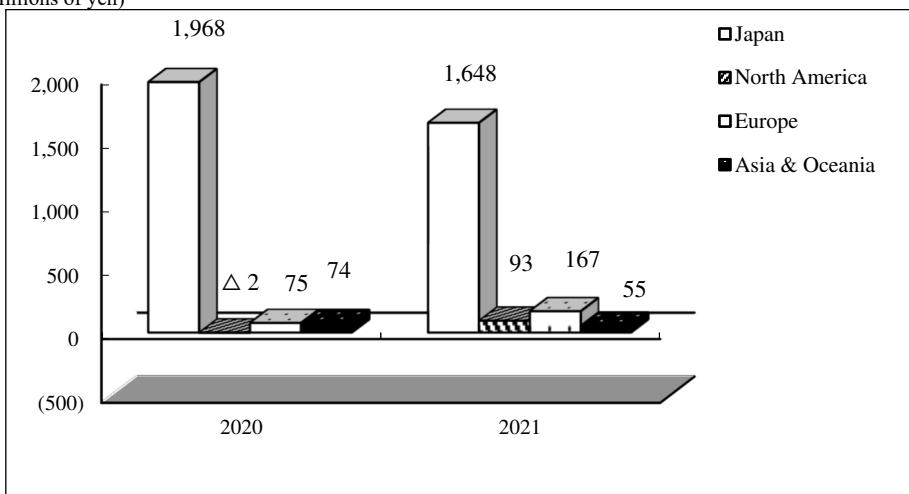
### Net Sales

(Millions of yen)



### Operating Income

(Millions of yen)



# Operating Highlights

## OVERSEAS SALES

Years ended March 31, 2021 and 2020

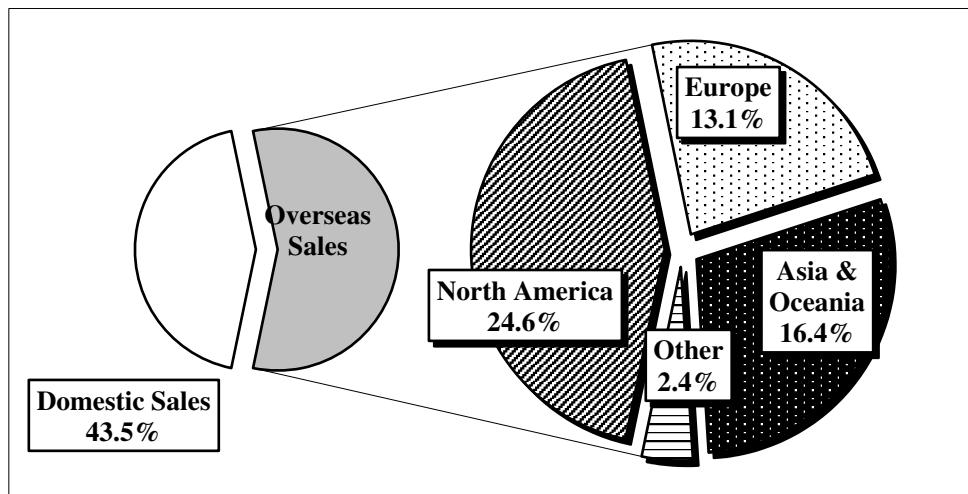
	Millions of yen		Thousands of U.S. dollars	
	2021 (Unaudited)	2020	2021 (Unaudited)	2020
North America	¥ 7,410	26.5%	¥ 7,499	24.6%
Europe	4,038	14.5	4,015	13.1
Asia & Oceania	3,611	12.9	4,997	16.4
Other	635	2.3	746	2.4
Overseas total	15,694	56.2	17,257	56.5
Domestic total	12,247	43.8	13,276	43.5
Consolidated total	¥ 27,941	100.0%	¥ 30,533	100.0%
				\$ 252,380

Notes:

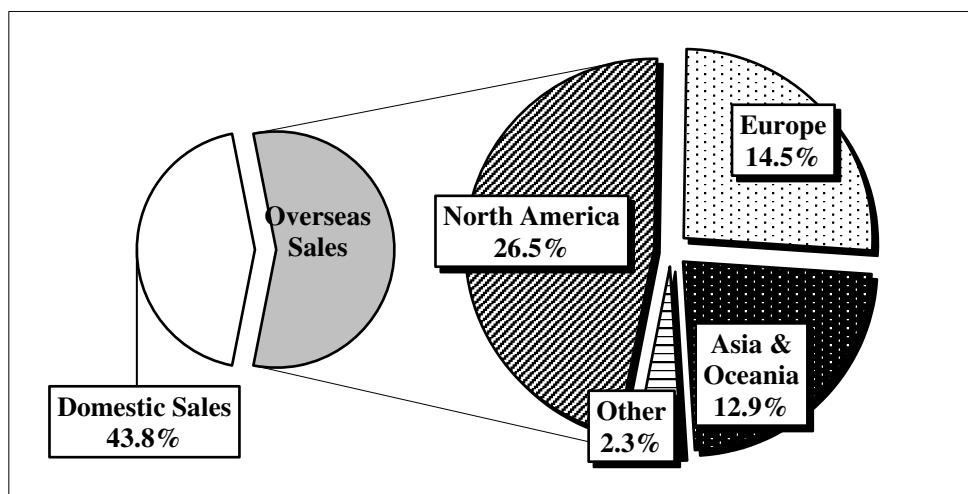
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥110.71 = U.S.\$1.00, the exchange rate prevailing on March 31, 2021.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

## Net Sales 2020



## Net Sales 2021



*ICOM INCORPORATED AND SUBSIDIARIES*  
**Consolidated Balance Sheet**

March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits ( <i>Notes 5 and 6</i> )	¥ 26,323	¥ 27,687	\$ 237,765
Marketable securities ( <i>Notes 6 and 7</i> )	302	—	2,728
Notes and accounts receivable ( <i>Note 6</i> )	5,955	6,937	53,789
Allowance for doubtful accounts	(18)	(19)	(163)
	<b>5,937</b>	6,918	53,626
Inventories ( <i>Note 8</i> )	10,784	9,298	97,408
Other current assets	2,164	2,678	19,547
Total current assets	<b>45,510</b>	46,581	<b>411,074</b>
<b>Property, plant and equipment:</b>			
Land	4,295	4,126	38,795
Buildings and structures	6,748	6,697	60,952
Machinery and equipment	14,154	14,030	127,848
Vehicles and other	248	239	2,240
Construction in progress	126	56	1,138
Property, plant and equipment, at cost	<b>25,571</b>	25,148	230,973
Less accumulated depreciation	(17,719)	(17,418)	(160,049)
Property, plant and equipment, net ( <i>Note 16</i> )	<b>7,852</b>	7,730	<b>70,924</b>
<b>Investments and other assets:</b>			
Investments in securities ( <i>Notes 6 and 7</i> )			
Investments in affiliates	115	139	1,039
Other	4,307	2,226	38,903
Other investments	641	595	5,790
Deferred income taxes ( <i>Notes 4 and 10</i> )	906	985	8,184
Guarantee deposits	2,140	3,135	19,330
Intangible assets ( <i>Note 16</i> )	225	341	2,032
Allowance for doubtful accounts	(28)	(28)	(253)
Total investments and other assets	<b>8,306</b>	7,393	<b>75,025</b>
<b>Total assets (<i>Note 16</i>)</b>	<b>¥ 61,668</b>	¥ 61,704	<b>\$ 557,023</b>

*See accompanying Notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Consolidated Balance Sheet**

March 31, 2021

<b>Liabilities and net assets</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2021</b>	<b>2020</b>	
<b>Current liabilities:</b>			
Accounts payable - trade (Note 6)	¥ 969	¥ 1,696	\$ 8,753
Accounts payable - other	592	897	5,347
Accrued income taxes (Note 10)	502	140	4,535
Accrued expenses	654	658	5,907
Provision for accrued bonuses	439	567	3,965
Warranty reserves	33	39	298
Other current liabilities	308	154	2,782
Total current liabilities	<b>3,497</b>	<b>4,151</b>	<b>31,587</b>
<b>Long-term liabilities:</b>			
Deferred tax liabilities (Note 10)	145	53	1,310
Liability for retirement benefits (Note 9)	1,002	1,377	9,051
Other long-term liabilities	506	520	4,570
Total long-term liabilities	<b>1,653</b>	<b>1,950</b>	<b>14,931</b>
<b>Net assets:</b>			
Shareholders' equity (Note 11):			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2021 and 2020	<b>7,081</b>	7,081	<b>63,960</b>
Capital surplus	<b>10,449</b>	10,449	<b>94,382</b>
Retained earnings (Note 17)	<b>40,041</b>	39,076	<b>361,675</b>
Less treasury stock, at cost:			
497,101 shares in 2021 and 111,063 shares in 2020	<b>(1,445)</b>	(302)	<b>(13,052)</b>
Total shareholders' equity	<b>56,126</b>	56,304	<b>506,965</b>
Accumulated other comprehensive income (loss) (Note 14):			
Net unrealized holding gain (loss) on securities			
(Note 7)	<b>230</b>	(80)	<b>2,077</b>
Translation adjustments	<b>375</b>	(168)	<b>3,387</b>
Retirement benefit liability adjustments (Note 9)	<b>(213)</b>	(453)	<b>(1,924)</b>
Total accumulated other comprehensive income (loss)	<b>392</b>	(701)	<b>3,540</b>
Total net assets	<b>56,518</b>	55,603	<b>510,505</b>
<b>Total liabilities and net assets</b>	<b>¥ 61,668</b>	<b>¥ 61,704</b>	<b>\$ 557,023</b>

*See accompanying Notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Consolidated Statement of Income**

Year ended March 31, 2021

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2021</b>	<b>2020</b>
<b>Net sales (Note 16)</b>	¥ 27,941	\$ 252,380
<b>Cost of sales (Note 8)</b>	16,269	17,812
Gross profit	11,672	12,721
 <b>Selling, general and administrative expenses:</b>		
Advertising expenses	595	5,374
Packing and transportation costs	299	2,701
Provision of allowance for doubtful accounts	1	9
Salaries and allowances	2,418	2,529
Welfare expenses	722	6,522
Provision for bonuses	139	1,255
Retirement benefit expenses (Note 9)	114	1,030
Depreciation and amortization	173	1,563
Commission fee	638	5,763
Experimentation and research expenses (Note 13)	3,595	32,472
Other	1,088	9,827
Total selling, general and administrative expenses	9,782	88,357
Operating income (Note 16)	1,890	17,072
 <b>Other income (expenses):</b>		
Interest and dividend income	80	723
Gain on sales of investment in securities, net (Note 7)	22	199
Foreign exchange gain (loss), net	288	2,601
Commission for purchase of treasury stock	(27)	244
Equity in earnings (losses) of affiliates	(24)	(217)
Settlement received	—	—
Other, net	30	(217)
Profit before income taxes	369	3,333
	2,259	20,405
 <b>Income taxes (Note 10):</b>		
Current	591	5,338
Deferred	(69)	(623)
 <b>Profit</b>	522	4,715
<b>Profit attributable to owners of parent (Note 15)</b>	¥ 1,737	\$ 15,690
	¥ 1,737	\$ 15,690

*See accompanying Notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Consolidated Statement of  
 Comprehensive Income**

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2021</b>	2020	
	¥ 1,737	¥ 1,929	
<b>Profit</b>			<b>2021</b>
<b>Other comprehensive income (Note 14):</b>			<b>2021</b>
Net unrealized holding gain (loss) on securities	310	(113)	2,800
Translation adjustments	543	(355)	4,905
Retirement benefit liability adjustments	240	(225)	2,168
Total other comprehensive income (loss)	<b>1,093</b>	(693)	<b>9,873</b>
<b>Comprehensive income</b>	<b>¥ 2,830</b>	<b>¥ 1,236</b>	<b>\$ 25,563</b>
<b>Total comprehensive income attributable to:</b>			
<b>Owners of parent</b>	<b>¥ 2,830</b>	<b>¥ 1,236</b>	<b>\$ 25,563</b>

*See accompanying Notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Consolidated Statement of  
 Changes in Net Assets**

Year ended March 31, 2021

<i>Millions of yen</i>										
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain (loss) on securities	Retirement benefit liability			Total net assets
							Translation adjustments	Retirement benefit liability adjustments	Total net assets	
Balance at April 1, 2019	14,850,000	¥ 7,081	¥ 10,449	¥ 37,888	¥ (106)	¥ 33	¥ 187	¥ (228)	¥ 55,304	
Profit attributable to owners of parent for the year	–	–	–	1,929	–	–	–	–	1,929	
Cash dividends	–	–	–	(741)	–	–	–	–	(741)	
Purchases of treasury stock	–	–	–	–	(196)	–	–	–	(196)	
Other changes	–	–	–	–	–	(113)	(355)	(225)	(693)	
Balance at April 1, 2020	14,850,000	¥ 7,081	¥ 10,449	¥ 39,076	¥ (302)	¥ (80)	¥ (168)	¥ (453)	¥ 55,603	
Profit attributable to owners of parent for the year	–	–	–	1,737	–	–	–	–	1,737	
Cash dividends	–	–	–	(772)	–	–	–	–	(772)	
Purchases of treasury stock	–	–	–	–	(1,143)	–	–	–	(1,143)	
Other changes	–	–	–	–	–	310	543	240	1,093	
Balance at March 31, 2021	14,850,000	¥ 7,081	¥ 10,449	¥ 40,041	¥ (1,445)	¥ 230	¥ 375	¥ (213)	¥ 56,518	
<i>Thousands of U.S. dollars (Note 1)</i>										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain (loss) on securities	Translation adjustments	Retirement benefit liability			Total net assets
							adjustments	benefit liability adjustments	Total net assets	
Balance at April 1, 2020	\$ 63,960	\$ 94,382	\$ 352,958	\$ (2,728)	\$ (723)	\$ (1,518)	\$ (4,092)	\$ 502,239		
Profit attributable to owners of parent for the year	–	–	15,690	–	–	–	–	–	15,690	
Cash dividends	–	–	(6,973)	–	–	–	–	–	(6,973)	
Purchases of treasury stock	–	–	–	(10,324)	–	–	–	–	(10,324)	
Other changes	–	–	–	–	2,800	4,905	2,168	9,872		
Balance at March 31, 2021	\$ 63,960	\$ 94,382	\$ 361,675	\$ (13,052)	\$ 2,077	\$ 3,387	\$ (1,924)	\$ 510,505		

*See accompanying Notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Consolidated Statement of Cash Flows**

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
<b>Operating activities:</b>			
Profit before income taxes	¥ 2,259	¥ 2,542	\$ 20,405
Adjustments for:			
Depreciation and amortization	1,236	1,225	11,164
Interest and dividend income	(80)	(117)	(723)
Foreign exchange (gain) loss, net	(66)	40	(596)
Decrease in notes and accounts receivable	1,049	2,202	9,475
Increase in inventories	(1,346)	(89)	(12,158)
(Decrease) increase in accounts payable - trade	(811)	648	(7,325)
Settlement received	—	(258)	—
Other, net	983	(1,249)	8,879
Subtotal	3,224	4,944	29,121
Income taxes paid	(253)	(829)	(2,285)
Settlement package received	—	258	—
<b>Net cash provided by operating activities</b>	<b>2,971</b>	<b>4,373</b>	<b>26,836</b>
<b>Investing activities:</b>			
Decrease (increase) in time deposits with original maturities in excess of three months	3,509	(3,552)	31,695
Purchases of property, plant and equipment	(1,254)	(1,269)	(11,327)
Purchases of intangible assets	(33)	(206)	(298)
Purchases of investments in securities	(2,021)	(847)	(18,255)
Proceeds from sales and redemption of investments in securities	89	1,824	804
Interest and dividend income received	81	131	732
Other, net	362	(640)	3,270
<b>Net cash provided by (used in) investing activities</b>	<b>733</b>	<b>(4,559)</b>	<b>6,621</b>
<b>Financing activities:</b>			
Purchases of treasury stock	(1,169)	(196)	(10,559)
Cash dividends paid	(772)	(741)	(6,973)
<b>Net cash used in financing activities</b>	<b>(1,941)</b>	<b>(937)</b>	<b>(17,532)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>210</b>	<b>(101)</b>	<b>1,897</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,973</b>	<b>(1,224)</b>	<b>17,822</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>22,152</b>	<b>23,376</b>	<b>200,090</b>
<b>Cash and cash equivalents at end of year (Note 5)</b>	<b>¥ 24,125</b>	<b>¥ 22,152</b>	<b>\$ 217,912</b>

*See accompanying Notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Notes to Consolidated Financial Statements**

March 31, 2021

## **1. Basis of Preparation**

The accompanying consolidated financial statements of ICOM INCORPORATED (the "Company") and its consolidated subsidiaries (the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan. Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2020 to the 2021 presentation. Such reclassifications had no effect on net profit for the fiscal year.

In addition, the Notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at ¥110.71 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2021. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

## **2. Summary of Significant Accounting Policies**

### **(a) Principles of consolidation**

The accompanying consolidated financial statements include the accounts of the Company and the companies which it controls directly or indirectly. Two companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized intercompany gains and losses among the Company and the subsidiaries have been entirely eliminated.

The financial statements of certain consolidated subsidiary whose fiscal year end is December 31 has been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

### **(b) Cash and cash equivalents**

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

### **(c) Foreign currency translation**

The balance sheet accounts of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. Adjustments resulting from translating accounts denominated in foreign currencies are not included in the determination of profit in the accompanying consolidated financial statements, but are reported as "Translation adjustments," a component of net assets.

Revenue and expense accounts of the overseas subsidiaries are translated at the average rates of exchange in effect during the year.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. Gain or loss on each translation is credited or charged to income.

### **(d) Marketable securities and investments in securities**

In general, securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Securities held by the Company and its subsidiaries including investments in securities, which are not accounted for on an equity basis, are all classified as "other securities" and have been accounted for as outlined above.

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Notes to Consolidated Financial Statements**

**2. Summary of Significant Accounting Policies (continued)**

**(e) Inventories**

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the moving average method, except for inventories held by certain overseas subsidiaries which are valued at the lower of cost or net selling value, cost being determined by the moving average method.

**(f) Property, plant and equipment (except for leased assets)**

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment in the Company and its domestic subsidiaries is computed principally by the declining-balance method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or after April 1, 1998 and structures attached to buildings and other structures acquired on or after April 1, 2016. The overseas consolidated subsidiaries calculate depreciation by the straight-line method.

**(g) Intangible assets (except for leased assets)**

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan. Expenditures related to the development of computer software intended for internal use are charged to income when incurred, except if it is anticipated that this software will contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of 3 or 5 years.

**(h) Leased assets**

Leased assets are depreciated by the straight-line method over respective lease periods with no residual value.

**(i) Allowance for doubtful accounts**

The allowance for doubtful accounts is computed based on the historical ratio of bad debts and an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

**(j) Accrued bonuses**

Accrued bonuses are calculated based on the estimated amount to be paid to employees after the balance sheet date, which are attributable to the current fiscal year.

**(k) Warranty reserves**

Warranty reserves for certain overseas subsidiaries are provided for anticipated future repair costs based on the historical ratio calculated using product repair costs against net sales, which are attributable to the current fiscal year.

**(l) Liability for retirement benefits**

Liability for retirement benefits is provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is being amortized in the year following the year in which the gain or loss is recognized by the straight-line method over ten years, which is within the average remaining years of service of eligible employees.

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Notes to Consolidated Financial Statements**

**2. Summary of Significant Accounting Policies (continued)**

**(m) Hedge accounting**

The Company utilizes derivative transactions in order to manage the risks arising from adverse fluctuation in foreign currency exchange rates. In accordance with internal management rules, the Company enters into forward foreign exchange contracts which fall within the Company's foreign currency or foreign currency receivables holding limits. Derivative transactions are not entered into for speculative purposes.

Under the accounting standard for financial instruments, gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Forward foreign exchange contracts which meet certain conditions are accounted for by a method under which the foreign currency deposits and receivables are translated at their corresponding forward foreign exchange contract rates ("Allocation method.")

The evaluation of effectiveness of such forward foreign exchange contracts is omitted because significant terms of the hedging instruments and underlying hedged items are the same and the Company assumes that movements in cash flows are completely offset.

Hedging instruments and hedged items are as follows:

Hedging instruments	Foreign exchange contracts
Hedged items	Foreign currency trade receivables and payables and forecasted transactions

**(n) Distribution of retained earnings**

Under the Companies Act of Japan and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to interim financial periods is made by resolution of the Board of Directors. (Please refer to Note 17.)

**3. Accounting Standards Issued But Not yet Effective**

**Accounting Standard and Implementation Guidance for Revenue Recognition**

"Accounting Standard for Revenue Recognition" (Accounting Standards Boards of Japan ("ASBJ") Statement No.29, March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 26, 2021)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

**(i) Overview**

The International Accounting Standards Board (hereinafter referred to as the "IASB") and the Financial Accounting Standards Board (hereinafter referred to as the "FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on fact that IFRS 15 is applied from fiscal years starting on or after January 1, 2018 and Topic 606 is applied from fiscal years starting after December 15, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15.

Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting in practices, etc. common in Japan.

**(ii) Scheduled date of adoption**

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

**(iii) Impact of the adoption of accounting standard and implementation guidance**

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance

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# **Notes to Consolidated Financial Statements**

on its consolidated financial statements as of preparing the consolidated financial statements.

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### **3. Accounting Standards Issued But Not yet Effective (continued)**

#### **Accounting Standard for Fair Value Measurement and Related Implementation Guidance**

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, March 31, 2020)

##### (i) Overview

Given that the IASB and the FASB have issued IFRS 13 “Fair Value Measurement” and FASB Accounting Standards Codification Topic 820 “Fair Value Measurement” as similar detailed guidance for fair value measurement, the ASBJ deliberated on how to ensure consistency between Japanese and international accounting standards mainly related to the guidance and disclosures for the market value of financial instruments. Accordingly, the ASBJ issued “Accounting Standard for Fair Value Measurement” and other standards.

As the basic policy in developing accounting standards for fair value measurement, the ASBJ essentially incorporated all of the provisions in IFRS 13 from a standpoint of comparability among financial statements of domestic and overseas entities through a uniform measurement method.

Furthermore, taking into account the common practices in Japan, additional treatments for individual items have been provided to the extent that the comparability between financial statements is not impaired.

##### (ii) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

##### (iii) Impact of adoption

The Company has not yet determined the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements as of preparing the consolidated financial statements.

### **4. Significant Accounting Estimates**

#### **1. Recoverability of Deferred Tax Assets**

##### **(1) Recoverability of deferred tax assets as of March 31, 2021:**

Deferred tax assets (net amount)	¥906 million (\$8,184 thousand)
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##### **(2) Information on significant accounting estimates for identified items**

###### **① Calculation method**

The Company and its domestic subsidiaries evaluate the recoverability of deferred tax assets for deductible temporary differences based on the tax planning opportunities available to them and estimated future taxable profit that depends on future earning power. In estimating future taxable profit, the Company and its domestic subsidiaries evaluate probable future taxable profit by reasonably estimating when and how much future taxable profit is expected based on supporting materials such as the business plan.

###### **② Significant assumption**

The significant assumption in underlying the business plan to evaluate the estimate of future taxable profit is forecast sales volume.

The forecast sales volume is determined using a forecast of customer demand and the latest actual sales volume.

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**4. Significant Accounting Estimates (continued)**

**1. Recoverability of Deferred Tax Assets (continued)**

**(2) Information on significant accounting estimates for identified items (continued)**

③ Impact on consolidated financial statements for the following fiscal year

In the event the actual sales volume is less than the forecast sales volume as a significant assumption due to market trends such as innovation or a decrease in production resulting from an adverse procurement situation of key components, which are mainly semiconductors, some deferred tax assets may not be realized in the following fiscal year.

**2. Impact of the COVID-19 outbreak**

Given the fact that economic activities have been normalized in areas where vaccination rates are high since the start of vaccinations in each country, customer demand is expected to recover gradually during the year ending March 31, 2022 even in an environment where the COVID-19 outbreak still continues to have impacts.

Any changes in the underlying situations of these assumptions may have significant impacts on the consolidated financial statements.

(Additional Information)

Effective from the end of the fiscal year ended March 31, 2021, the Company and its domestic subsidiaries adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) and significant accounting estimates are disclosed in Note 4. However, comparative information for the previous fiscal year has not been disclosed in accordance with the transitional treatment set forth in the proviso of section 11 of the standard.

**5. Cash and Cash Equivalents**

In the preparation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in the consolidated balance sheets at March 31, 2021 and 2020 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥ 26,323	¥ 27,687	\$ 237,765
Marketable securities	302	—	2,728
<b>Subtotal</b>	<b>¥ 26,625</b>	<b>¥ 27,687</b>	<b>\$ 240,493</b>
Time deposits with original maturities in excess of three months	(2,198)	(5,535)	(19,853)
Marketable securities with original maturities in excess of three months	(302)	—	(2,728)
<b>Cash and cash equivalents</b>	<b>¥ 24,125</b>	<b>¥ 22,152</b>	<b>\$ 217,912</b>

**6. Financial Instruments**

**(1) General information**

**i) Policy for financial instruments**

In consideration of plans for capital investment, which is mainly centered on radio manufacturing and sales, the Group obtains necessary financing through its own funds. The Group manages surplus funds through financial assets that have high levels of liquidity. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative purposes.

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**6. Financial Instruments (continued)**

**(1) General information (continued)**

**ii) Types of financial instruments and related risk**

Notes and accounts receivable are exposed to credit risk in relation to customers. In addition, trade receivables denominated in foreign currencies are exposed to exchange rate fluctuation risk.

Marketable securities and investments in securities are exposed to market risk. Those securities are composed of mainly debt securities classified as other securities and equity securities of other companies with which it has business relationships. Fair values of those securities are periodically reported to board of directors meetings.

Guarantee deposits are mostly related to lease deposit with office renting.

Most of trade accounts payable have payment due dates within two months. Those denominated in foreign currencies are exposed to exchange rate fluctuation risk.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange rate fluctuation risk arising from cash and deposits and receivables denominated in foreign currencies, and utilizes compound financial instruments for the purpose of efficient management of surplus funds. Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in “(m) Hedge accounting” in Note 2 “Summary of Significant Accounting Policies”.

**iii) Risk management for financial instruments**

**(a) Monitoring of credit risk (the risk that customers or counterparties may default)**

In accordance with the internal policies for managing credit risk of the Group arising from trade receivables, the sales department monitors credit worthiness of main customers periodically, in principle, and monitors due dates and outstanding balances by customer. In addition, the Group is making efforts to early identify and mitigate risks of bad debt from customers who have financial difficulties.

In accordance with the internal policies for security management, the Group only acquires debt securities classified as other securities with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

**(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)**

For cash and deposits denominated in foreign currencies, in principle, for a portion of receivables denominated in foreign currencies, the Group identifies the foreign currency exchange risk by each currency and enters into forward foreign exchange contracts to hedge such risk.

For marketable securities and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities should be maintained taking into account their fair values and the relationships with the issuers.

For derivative transactions, the accounting department of the Company enters into and manages transactions, and a respective director, in advance, approves them within the limits reported at the Board of Directors meeting. Results of derivative transactions are reported at the monthly Board of Directors meetings. The consolidated subsidiaries do not enter into derivative transactions.

**(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled due dates)**

Based on reports from each division, the accounting department of the Company prepares and updates its cash flow plans on a timely basis and maintains liquidity of assets for payment to manage liquidity risk. The consolidated subsidiaries monitor liquidity risk in the same manner.

**iv) Supplementary explanation of the estimated fair value of financial instruments**

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 12. “Derivatives and Hedging Activities” are not necessarily indicative of the actual market risk involved in derivative transactions.

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**6. Financial Instruments (continued)**

**(2) Estimated fair value of financial instruments**

The carrying value, fair value and unrealized gain (loss) of the financial instruments on the consolidated balance sheets at March 31, 2021 and 2020 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note ii below).

	Millions of yen						
	2021			2020			
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference	
<b>Assets</b>							
(1) Cash and deposits	¥ 26,323	¥ 26,323	¥ -	¥ 27,687	¥ 27,687	¥ -	
(2) Notes and accounts receivable	5,955	5,955	-	6,937	6,937	-	
(3) Marketable securities and investments in securities	4,601	4,601	-	2,166	2,166	-	
Total assets	¥ 36,879	¥ 36,879	¥ -	¥ 36,790	¥ 36,790	¥ -	
<b>Liabilities</b>							
(1) Accounts payable – trade	¥ 969	¥ 969	¥ -	¥ 1,696	¥ 1,696	¥ -	
Total liabilities	¥ 969	¥ 969	¥ -	¥ 1,696	¥ 1,696	¥ -	
Thousands of U.S. dollars							
2021							
Carrying value	Fair value	Difference					
<b>Assets</b>							
(1) Cash and deposits	\$ 237,765	\$ 237,765	\$ -				
(2) Notes and accounts receivable	53,789	53,789	-				
(3) Marketable securities and investments in securities	41,559	41,559	-				
Total assets	\$ 333,113	\$ 333,113	\$ -				
<b>Liabilities</b>							
(1) Accounts payable – trade	\$ 8,753	\$ 8,753	\$ -				
Total liabilities	\$ 8,753	\$ 8,753	\$ -				

**Notes:**

i) **Methods to determine the fair value of financial instruments are as follows:**

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximate the fair value.

(3) Marketable securities and investments in securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets for these securities. For information on securities classified by holding purpose, please refer to Note 7.

Liabilities

(1) Accounts payable - trade

Since this item is settled in a short period of time, its carrying value approximates the fair value.

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**6 Financial Instruments (continued)**

**(2) Estimated fair value of financial instruments (continued)**

ii) Financial instruments for which it is extremely difficult to determine the fair value are as follows:

	Millions of yen			Thousands of U.S. dollars	
	2021		2020	2021	
	¥	123	¥	\$	1,111
Unlisted equity securities	¥	123	¥	\$	1,111
Guarantee deposits		2,140			19,330

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, they are not included in marketable securities and investments in securities in the preceding table estimated fair value.

For guarantee deposits with no fixed repayment date, there are no market price and their future cash flow cannot be estimated. Furthermore, as their fair value is recognized as extremely difficult to determine, they are not subject to disclosure of fair value

**(3) Redemption schedule**

The redemption schedule for monetary assets, marketable securities and investments in securities with maturity dates is summarized as follows:

	Millions of yen							
	2021				2020			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 26,323	¥ –	¥ –	¥ –	¥ 27,687	¥ –	¥ –	¥ –
Notes and accounts receivable	5,955	–	–	–	6,937	–	–	–
Marketable securities and investments in securities:								
Other securities with maturity dates								
Corporate bonds	300	600	1,500	–	–	900	1,000	–
Other	–	–	–	–	–	–	–	–
Total	¥ 32,578	¥ 600	¥ 1,500	¥ –	¥ 34,624	¥ 900	¥ 1,000	¥ –

	Thousands of U.S. dollars			
	2021			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 237,765	\$ –	\$ –	\$ –
Notes and accounts receivable	53,789	–	–	–
Marketable securities and investments in securities:				
Other securities with maturity dates				
Corporate bonds	2,710	5,420	13,549	–
Other	–	–	–	–
Total	\$ 294,264	\$ 5,420	\$ 13,549	\$ –

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## 7 Marketable Securities and Investments in Securities

Marketable securities and investments in securities classified as other securities at March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>					
	<b>2021</b>			<b>2020</b>		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
<b>Securities whose carrying value exceeds their acquisition cost:</b>						
Equity securities	¥ 2,089	¥ 1,679	¥ 410	¥ —	¥ —	¥ —
Corporate bonds	807	804	3	507	506	1
Subtotal	<b>2,896</b>	<b>2,483</b>	<b>413</b>	<b>507</b>	<b>506</b>	<b>1</b>
<b>Securities whose carrying value does not exceed their acquisition cost:</b>						
Equity securities	112	180	(68)	269	364	(95)
Corporate bonds	1,593	1,602	(9)	1,390	1,406	(16)
Subtotal	<b>1,705</b>	<b>1,782</b>	<b>(77)</b>	<b>1,659</b>	<b>1,770</b>	<b>(111)</b>
Total	<b>¥ 4,601</b>	<b>¥ 4,265</b>	<b>¥ 336</b>	<b>¥ 2,166</b>	<b>¥ 2,276</b>	<b>¥ (110)</b>
<i>Thousands of U.S. dollars</i>						
	<b>2021</b>					
	Carrying value	Acquisition cost	Difference			
<b>Securities whose carrying value exceeds their acquisition cost:</b>						
Equity securities	\$ 18,869	\$ 15,166	\$ 3,703			
Corporate bonds	7,289	7,262	27			
Subtotal	<b>26,158</b>	<b>22,428</b>	<b>3,730</b>			
<b>Securities whose carrying value does not exceed their acquisition cost:</b>						
Equity securities	1,012	1,626	(614)			
Corporate bonds	14,389	14,470	(81)			
Subtotal	<b>15,401</b>	<b>16,096</b>	<b>(695)</b>			
Total	<b>\$ 41,559</b>	<b>\$ 38,524</b>	<b>\$ 3,035</b>			

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, unlisted equity securities of ¥123 million (\$1,111 thousand) and ¥199 million at March 31, 2021 and 2020, respectively, are not included in the above table.

Sales of other securities for the years ended March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>	
	<b>2021</b>		2020	<b>2021</b>	
	¥	2021	¥	\$	2021
Sales	¥ 91		¥ 1,722	\$ 822	
Aggregate gain	22		71	199	
Aggregate loss	—		1	—	

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## 8. Inventories

Inventories at March 31, 2021 and 2020 are consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	¥ 5,170	¥ 4,169	\$ 46,699
Merchandise and finished products	66	81	596
Raw materials and supplies	5,548	5,048	50,113
Total	<u>¥ 10,784</u>	<u>¥ 9,298</u>	<u>\$ 97,408</u>

Cost of sales are included loss on devaluation of inventories of ¥220 million (\$1,987 thousand) and ¥66 million for the years ended March 31, 2021 and 2020, respectively.

## 9 Retirement Benefit Plans

### (1) Outline of retirement benefits for employees

The Company and its domestic subsidiaries have defined benefit corporate pension plans and lump-sum payment plans for employees.

The Company and its domestic subsidiaries may pay additional retirement benefits to employees under certain circumstances.

### (2) Liability for retirement benefits for the years ended March 31, 2021 and 2020

#### i) The changes in retirement benefit obligation are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	¥ 6,528	¥ 6,231	\$ 58,965
Retirement benefit obligation at beginning of year	224	229	2,023
Service cost	54	52	488
Interest cost	192	99	1,734
Actuarial loss	(95)	(83)	(858)
Retirement benefits paid	6,903	6,528	\$ 62,352
Retirement benefit obligation at end of year			

#### ii) The changes in plan assets at fair value are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	¥ 5,619	¥ 5,550	\$ 50,754
Plan assets at fair value at beginning of year	45	58	406
Expected return on plan assets	497	(209)	4,489
Contributions by the employer	326	303	2,945
Retirement benefits paid	(95)	(83)	(858)
Plan assets at fair value at end of year	<u>¥ 6,392</u>	<u>¥ 5,619</u>	<u>\$ 57,736</u>

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**9 Retirement Benefits Plans (continued)**

**(2) Liability for retirement benefits for the years ended March 31, 2021 and 2020 (continued)**

iii) The changes in retirement benefits obligation calculated by simplified method are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligation at beginning of year	¥ 467	¥ 441	\$ 4,218
Retirement benefits expenses	46	45	416
Retirement benefits paid	(22)	(19)	(199)
Retirement benefit obligation at end of year	<u>¥ 491</u>	<u>¥ 467</u>	<u>\$ 4,435</u>

iv) The balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in the consolidated balance sheets are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 6,903	¥ 6,528	\$ 62,352
Plan assets at fair value	(6,392)	(5,618)	(57,736)
Unfunded retirement benefit obligation	511	910	4,616
Net amount of liabilities and assets recognized in consolidated balance sheets	<u>491</u>	<u>467</u>	<u>4,435</u>
Liability for retirement benefits	1,002	1,377	9,051
Net amount of liabilities and assets recognized in consolidated balance sheets	<u>1,002</u>	<u>1,377</u>	<u>9,051</u>
	<u>¥ 1,002</u>	<u>¥ 1,377</u>	<u>\$ 9,051</u>

v) The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 270	¥ 273	\$ 2,439
Interest cost	54	52	488
Expected return on plan assets	(45)	(58)	(406)
Amortization:			
Actuarial loss (gain)	40	(17)	360
Retirement benefit expenses	<u>¥ 319</u>	<u>¥ 250</u>	<u>\$ 2,881</u>

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**9 Retirement Benefits Plans (continued)**

**(2) Liability for retirement benefits for the years ended March 31, 2021 and 2020 (continued)**

vi) The component of retirement benefit liability adjustments included in other comprehensive income before tax effects are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	¥ <b>346</b>	¥ (325)	\$ <b>3,125</b>
Actuarial gain (loss)	¥ <b>346</b>	¥ (325)	\$ <b>3,125</b>

vii) The balance of retirement benefit liability adjustments recognized in accumulated other comprehensive income before tax effects is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	¥ <b>307</b>	¥ 653	\$ <b>2,773</b>
Unrecognized actuarial loss	¥ <b>307</b>	¥ 653	\$ <b>2,773</b>
Total			

viii) The plan assets by major category consist of the following:

	2021	2020
Debt securities	60.0%	65.0%
Equity securities	26.0%	19.0%
Cash and deposits	3.0%	7.0%
Other	11.0%	9.0%
Total	<b>100.0%</b>	100.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation to each class at present and in the future, and long-term expected rate of return from multiple plan assets at present and in the future.

ix) The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Discount rates	0.8%	0.8%
Expected long-term rates of return on plan assets	0.8%	1.1%
Expected rate of compensation increases	1.4%	1.5%

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## 10 Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rate of approximately 30.6% for the years ended March 31, 2021 and 2020. The overseas subsidiaries are subject to income taxes of the respective countries in which they operate.

Reconciliations of the statutory tax rate and effective tax rates for the years ended March 31, 2021 and 2020 as a percentage of profit before income taxes are as follows:

	2021	2020
Statutory tax rate	<b>30.6%</b>	30.6%
Non-deductible entertainment expenses and other for income tax purposes	<b>0.5</b>	0.6
Per capita portion of inhabitants' taxes	<b>1.0</b>	0.9
Tax credit for experimentation and research expenses	<b>(6.3)</b>	(7.0)
Differences in tax rates applicable to overseas subsidiaries	<b>(0.6)</b>	(1.1)
Unrealized gain on inventories	<b>(0.4)</b>	0.4
Equity in earnings of affiliates	<b>0.3</b>	(0.1)
Valuation allowance	<b>(0.5)</b>	0.2
Effect of Tax Cuts and Jobs Act of 2017 in U.S.	<b>(1.2)</b>	0.4
Accumulated earnings tax	<b>0.1</b>	(1.2)
Other	<b>(0.4)</b>	0.4
<b>Effective tax rates</b>	<b>23.1%</b>	24.1%

The significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
<b>Deferred tax assets:</b>			
Unrealized gain on inventories	¥ <b>278</b>	¥ 222	\$ <b>2,511</b>
Long-term accounts payable - other	<b>140</b>	143	<b>1,265</b>
Accrued bonuses	<b>133</b>	172	<b>1,201</b>
Accrued enterprise tax	<b>37</b>	26	<b>334</b>
Deferred revenue	<b>8</b>	9	<b>72</b>
Liability for retirement benefits	<b>304</b>	418	<b>2,746</b>
Allowance for doubtful accounts	<b>12</b>	12	<b>108</b>
Write down of investments in securities	<b>25</b>	26	<b>226</b>
Accrued legal welfare expense on bonuses	<b>21</b>	27	<b>190</b>
Net operating loss carryforward	<b>98</b>	115	<b>885</b>
Unrealized holding loss on securities	—	35	—
Loss on devaluation of inventories	<b>62</b>	13	<b>560</b>
Other	<b>42</b>	41	<b>379</b>
<b>Gross deferred tax assets</b>	<b>1,160</b>	1,259	<b>10,477</b>
Valuation allowance	<b>(42)</b>	<b>(75)</b>	<b>(379)</b>
<b>Total deferred tax assets</b>	<b>1,118</b>	1,184	<b>10,098</b>
<b>Deferred tax liabilities:</b>			
Gain on sales of property, plant and equipment	<b>(137)</b>	(137)	<b>(1,237)</b>
Accumulated earnings tax	<b>(116)</b>	(114)	<b>(1,048)</b>
Unrealized holding gain on securities	<b>(102)</b>	—	<b>(921)</b>
Other	<b>(2)</b>	(1)	<b>(18)</b>
<b>Total deferred tax liabilities</b>	<b>(357)</b>	<b>(252)</b>	<b>(3,224)</b>
<b>Net deferred tax assets</b>	<b>¥ 761</b>	<b>¥ 932</b>	<b>\$ 6,874</b>

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## 11 Shareholders' Equity

The Companies Act (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2021 and 2020 amounted to ¥293 million (\$2,647 thousand).

In addition, upon the issuance and sale of new shares of capital stock, the entire amount of the proceeds is required to be accounted for as capital stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

Movements in treasury stock for the years ended March 31, 2021 and 2020 are summarized as follows:

	Number of shares			
	<b>2021</b>			
	April 1, 2020	Increase	Decrease	March 31, 2021
<b>Shares issued:</b>				
Common stock	<b>14,850,000</b>	-	-	<b>14,850,000</b>
<b>Treasury stock:</b>				
Common stock	<b>111,063</b>	<b>386,038</b>	-	<b>497,101</b>

The increase in treasury stock of 386,038 shares is due to purchases of 385,900 shares by the resolution of the Board of Directors and purchases of 138 shares of less than one voting unit for the year ended March 31, 2021.

	Number of shares			
	<b>2020</b>			
	April 1, 2019	Increase	Decrease	March 31, 2020
<b>Shares issued:</b>				
Common stock	14,850,000	-	-	14,850,000
<b>Treasury stock:</b>				
Common stock	32,938	78,125	-	111,063

The increase in treasury stock of 78,125 shares is due to purchases of 78,000 shares by the resolution of the board of directors and purchases of 125 shares of less than one voting unit for the year ended March 31, 2020.

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Notes to Consolidated Financial Statements**

## **12 Derivatives and Hedging Activities**

There were no outstanding currency-related derivatives positions not designated as hedging instruments as of March 31, 2021 and 2020.

There were no derivatives positions outstanding which qualify for hedge accounting at March 31, 2021.

The estimated fair value of the derivatives positions outstanding which qualify for hedge accounting at March 31, 2020 is summarized as follows:

Currency-related transactions

Method of hedge accounting	Transaction	Major hedged item	<i>Millions of yen</i>		
			<i>2020</i>		
			Notional amount	More than one year	Fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts	Foreign currency deposits	¥ 650 748	¥ – –	¥ – –
	Sell: USD EUR				
	Total		¥ 1,398	¥ –	¥ –

The forward foreign exchange contracts that qualify for the allocation method and the underlying foreign currency deposits are accounted for as a unit. Therefore, the fair value of the forward foreign exchange contracts is included in cash and deposits.

## **13 Research and Development Costs**

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2021 and 2020 are as follows:

Research and development costs	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>
Research and development costs	¥ 3,595	¥ 3,769	\$ 32,472

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Notes to Consolidated Financial Statements**

#### **14 Other Comprehensive Income**

Reclassification adjustments and tax effects of other comprehensive income for the years ended March 31, 2021 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ <b>447</b>	¥ (99)	\$ <b>4,038</b>
Reclassification adjustments	—	(63)	—
Before tax effects	<b>447</b>	(162)	<b>4,038</b>
Tax effects	(137)	49	(1,238)
Net unrealized holding gain (loss) on securities	<b>310</b>	(113)	<b>2,800</b>
Translation adjustments:			
Amount arising during the year	<b>579</b>	(355)	<b>5,230</b>
Reclassification adjustments	(36)	—	(325)
Translation adjustments	<b>543</b>	(355)	<b>4,905</b>
Retirement benefit liability adjustments:			
Amount arising during the year	<b>306</b>	(308)	<b>2,764</b>
Reclassification adjustments	40	(17)	361
Before tax effects	<b>346</b>	(325)	<b>3,125</b>
Tax effects	(106)	100	(957)
Retirement benefit liability adjustments	<b>240</b>	(225)	<b>2,168</b>
Total other comprehensive income (loss)	<b>¥ 1,093</b>	¥ (693)	<b>\$ 9,873</b>

#### **15 Amounts Per Share**

Amounts per share at March 31, 2021 and 2020 and for the years then ended are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
Net assets	¥ <b>3,937.75</b>	¥ 3,772.56	\$ <b>35.57</b>
Profit attributable to owners of parent:			
Basic	<b>120.17</b>	130.44	<b>1.09</b>
Cash dividends	<b>53.00</b>	50.00	<b>0.48</b>

Net assets per share is computed based on net assets and the number of shares of common stock outstanding at the respective year end.

Basic profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Cash dividends per share represent the cash dividends declared as applicable to the respective fiscal years.

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Notes to Consolidated Financial Statements**

## 16 Segment Information

### i) Outline of segment information

The Group's reporting segments are divisions of the Group for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors meeting of the Group in order to allocate management resources and assess performance of operations.

The Group are primarily engaged in the manufacture and sale of telecommunications equipment. The subsidiaries are independent business units and formulate comprehensive strategies for products and operate business geographically.

Therefore, the Group consists of four segments based on sales by region. The four segments are "Japan," "North America," which primarily includes the United States and Canada; "Europe," which primarily includes Germany and Spain; and "Asia & Oceania," which primarily includes Australia, China and Vietnam as for March 31 2021, and Australia, China and Taiwan as for March 31 2020.

### ii) Calculation methods used for sales, income or loss, assets and other items on each reporting segment

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices applied in transactions with third parties.

### iii) Information as to sales, income or loss, assets and other items on each reporting segment

Information by reporting segment for the years ended March 31, 2021 and 2020 are as follows:

	<i>Millions of yen</i>						
	2021						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income							
Sales to third parties	¥ 16,924	¥ 8,077	¥ 1,820	¥ 1,120	¥ 27,941	¥ -	¥ 27,941
Intersegment sales	7,660	10	-	82	7,752	(7,752)	-
Net sales	24,584	8,087	1,820	1,202	35,693	(7,752)	27,941
Operating income	¥ 1,648	¥ 93	¥ 167	¥ 55	¥ 1,963	¥ (73)	¥ 1,890
II. Total assets	¥ 54,884	¥ 6,779	¥ 1,178	¥ 1,915	¥ 64,756	¥ (3,088)	¥ 61,668
III. Other items							
Depreciation and amortization	¥ 1,159	¥ 63	¥ 5	¥ 9	¥ 1,236	¥ -	¥ 1,236
Investments in affiliates	115	-	-	-	115	-	115
Increase in property, plant and equipment / intangible assets	1,181	40	8	3	1,232	-	1,232

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Notes to Consolidated Financial Statements**

**16. Segment Information (continued)**

**iii) Information as to sales, income or loss, assets and other items on each reporting segment (continued)**

	<i>Millions of yen</i>							
	2020							
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating income								
Sales to third parties	¥ 20,073	¥ 8,264	¥ 1,298	¥ 898	¥ 30,533	¥ –	¥ 30,533	
Intersegment sales	6,987	12	1	513	7,513	(7,513)	–	–
Net sales	27,060	8,276	1,299	1,411	38,046	(7,513)	30,533	
Operating income (loss)	¥ 1,968	¥ (2)	¥ 75	¥ 74	¥ 2,115	¥ 185	¥ 2,300	
II. Total assets	¥ 55,741	¥ 5,949	¥ 955	¥ 1,395	¥ 64,040	¥ (2,336)	¥ 61,704	
III. Other items								
Depreciation and amortization	¥ 1,146	¥ 66	¥ 3	¥ 10	¥ 1,225	¥ –	¥ 1,225	
Investments in affiliates	139	–	–	–	139	–	–	139
Increase in property, plant and equipment / intangible assets	1,456	34	12	12	1,514	–	–	1,514
<i>Thousands of U.S. dollars</i>								
	2021							
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating income								
Sales to third parties	\$ 152,868	\$ 72,956	\$ 16,439	\$ 10,117	\$ 252,380	\$ –	\$ 252,380	
Intersegment sales	69,190	90	–	741	70,021	(70,021)	–	–
Net sales	222,058	73,046	16,439	10,858	322,401	(70,021)	252,380	
Operating income	\$ 14,886	\$ 839	\$ 1,509	\$ 498	\$ 17,732	\$ (660)	\$ 17,072	
II. Total assets	\$ 495,746	\$ 61,232	\$ 10,640	\$ 17,298	\$ 584,916	\$ (27,893)	\$ 557,023	
III. Other items								
Depreciation and amortization	\$ 10,469	\$ 569	\$ 45	\$ 81	\$ 11,164	\$ –	\$ 11,164	
Investments in affiliates	1,039	–	–	–	1,039	–	–	1,039
Increase in property, plant and equipment / intangible assets	10,668	361	72	27	11,128	–	–	11,128

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Notes to Consolidated Financial Statements**

**16. Segment Information (continued)**

iv) Geographical information

(a) Sales

Sales categorized by country and region based on locations of customers by the Group for the years ended March 31, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2021</b>	2020	
Japan	¥ <b>12,247</b>	¥ 13,276	\$ <b>110,622</b>
USA	<b>6,184</b>	6,153	<b>55,858</b>
North America (except for the USA)	<b>1,226</b>	1,346	<b>11,074</b>
Europe	<b>4,038</b>	4,015	<b>36,474</b>
Asia & Oceania	<b>3,611</b>	4,997	<b>32,617</b>
Other	<b>635</b>	746	<b>5,735</b>
Total	<b>¥ 27,941</b>	<b>¥ 30,533</b>	<b>\$ 252,380</b>

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region at March 31, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2021</b>	2020	
Japan	¥ <b>6,621</b>	¥ 6,522	\$ <b>59,805</b>
USA	<b>1,053</b>	1,057	<b>9,512</b>
North America (except for the USA)	<b>8</b>	7	<b>72</b>
Europe	<b>12</b>	15	<b>108</b>
Asia & Oceania	<b>158</b>	129	<b>1,427</b>
Total	<b>¥ 7,852</b>	<b>¥ 7,730</b>	<b>70,924</b>

Disclosure of the information by product and service for the years ended March 31, 2021 and 2020 has been omitted as sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income.

Sales information by major customer for the years ended March 31, 2021 and 2020 was omitted as no single customer accounted for 10% or more of consolidated net sales.

**17. Subsequent Events**

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2021, was approved at the Company's general shareholders' meeting held on June 25, 2021:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2021</b>	2021	
Cash dividends (¥25 = U.S.\$0.23 per share)	¥ <b>359</b>	\$ <b>3,243</b>	

## Independent Auditor's Report

The Board of Directors  
ICOM INCORPORATED.

### Opinion

We have audited the accompanying consolidated financial statements of ICOM INCORPORATED and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

### Sales cut-off to government offices at the Company

Description of Key Audit Matter	Auditor's Response
<p>ICOM INCORPORATED (the “Company”) and its consolidated subsidiaries are engaged in the manufacture and sale of telecommunication equipment and recognize sales of merchandise and finished products on specific dates, such as shipment dates, which are regarded as the point in time when control of the asset is transferred to the customer.</p> <p>As described in Note 16 of the notes to the consolidated financial statements, of the ¥27,941 million in net sales recorded for the year ended March 31, 2021, net sales for the Japan segment amounted to ¥16,924 million. In addition, ¥6,187 million, or 36.6%, of net sales in the Japan segment was recorded in the fourth quarter.</p> <p>Considering that the Company recognizes sales to government offices that are quantitatively material at or near the financial closing date in the Japan segment in the fourth quarter, any improper sales cut-off would have a significant impact on the consolidated financial statements.</p> <p>Based on the above, we have determined that the Company’s sales cut-off to government offices in the fourth quarter is a key audit matter since such sales are significantly material for the year ended March 31, 2021.</p>	<p>We mainly performed the following audit procedures in considering the appropriateness of the Company’s sales cut-off to government offices in the fourth quarter.</p> <ul style="list-style-type: none"><li>• Reconciling sales transactions above a certain threshold to supporting evidence such as sales agreements, product acceptance receipts, and shipping invoices issued by distributors.</li><li>• Performing balance confirmation procedures for selected customers based on the quantitative materiality of the balances of notes and accounts receivable and reconciling differences between the subledger and the confirmations.</li><li>• Reviewing sales returns subsequent to the financial closing date.</li></ul>

### Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.



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The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Osaka, Japan

June 25, 2021

金子 一昭 

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Kazuaki Kaneko  
Designated Engagement Partner  
Certified Public Accountant

中尾 志都 

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Shizu Nakao  
Designated Engagement Partner  
Certified Public Accountant

## BOARD OF DIRECTORS AND AUDITORS

### **Tokuzo Inoue**

*Chairman and Representative Director*

### **Hiroshi Nakaoka**

*President and Representative Director*

### **Kenichi Kojiyama**

*Director*

### **Haruyuki Yoshizawa**

*Outside Director*

### **Akifumi Honda**

*Outside Director*

### **Yoko Murakami**

*Outside Director*

### **Takayuki Seto**

*Auditor*

### **Hiroshi Umemoto**

*Outside Auditor*

### **Katsunori Sugimoto**

*Outside Auditor*

## EXECUTIVE OFFICERS

### **Shigeyoshi Tanabe**

**Yoshiki Enomoto**

### **Kenichi Noda**

**Mitsuhiro Nakatani**

**Masahiro Hasegawa**

## SUBSIDIARIES

Icom America, Inc.

Icom (Europe) GmbH

Icom (Australia) Pty., Ltd.

Icom Spain, S.L.

PURECOM CO., LTD

ICOM ASIA COMPANY LIMITED

Wakayama Icom Inc.

Icom Information Products Inc.

Icom America License Holding LLC

ICOM CANADA HOLDINGS INC.

ICOM DO BRASIL

RADIOCOMUNICACAO LTDA.

## AFFILIATES

Comforce Inc.

Position Co., Ltd.

## HEAD OFFICE DIRECTORY

1-1-32, Kamiminami, Hirano-ku,  
Osaka, 547-0003, Japan

Phone: 81-6-6793-5301

Fax: 81-6-6793-5305

URL <http://www.icom.co.jp/>

## TRANSFER AGENT

Mitsubishi UFJ Trust and Banking Corporation

Tokyo Office:

4-5, Marunouchi 1-chome,  
Chiyoda-ku, Tokyo 100-8212, Japan

Osaka Office:

6-3, Fushimimachi 3-chome  
Chuo-ku, Osaka, 541-0044, Japan

## INVESTOR RELATIONS

### **Keiichi Uehata**

General Manager of Business Management Department

1-1-32, Kamiminami, Hirano-ku,  
Osaka, 547-0003, Japan

Phone: 81-6-6793-5301

Fax: 81-6-6793-5305

## CORPORATE FACTS

(As of March 31, 2021)

Established: July 1964

Employees: 598

Paid-in capital: ¥7,081 million

Authorized shares: 34,000,000

Issued and outstanding shares:  
14,850,000

Shareholders: 10,979

Stock listing: Tokyo Stock Exchange

(As of March 31, 2021)

Major shareholders	Thousands of shares
Tokuzo Inoue	2,049
Gigapalace Inc.	1,472
HIKARI TSUSHIN, INC.	1,446
UHPartners2, INC.	1,047
The Icom Foundation	1,000
The Master Trust Bank of Japan, Ltd. (Trust account)	497
JVC KENWOOD Corporation	445
Sumitomo Realty & Development Co., Ltd.	357
Meiji Yasuda Life Insurance Company	326
ICOM Employee Shareholding Association	299